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**POVERTY REDUCTION STRATEGY PAPERS –
Progress in Implementation**

Attached is a progress report entitled “Poverty Reduction Strategy Papers – Progress in Implementation” prepared by the staff of the World Bank and the International Monetary Fund. This subject will be considered at a joint session of the Development Committee (DC) and the International Monetary and Financial Committee (IMFC) on April 29, 2001.

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

Poverty Reduction Strategy Papers—Progress in Implementation

Prepared by the Staffs of the IMF and World Bank

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GLOSSARY OF TERMS

ACP	Africa, Caribbean, and Pacific region
AfDB	African Development Bank
AsDB	Asian Development Bank
CAS	Country Assistance Strategy
CCA	Common Country Assessment
CDF	Comprehensive Development Framework
DPR	Development Policy Review
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ESAF	Enhanced Structural Adjustment Facility
ESW	Economic and sector work
EU	European Union
HIPC	Heavily Indebted Poor Country
IDB	Inter-American Development Bank
IDA	International Development Association
IDG	International Development Goals
ILO	International Labour Organization
I-PRSP	Interim Poverty Reduction Strategy Paper
JIC	Joint Implementation Committee
JSA	Joint Staff Assessment
MDB	Multilateral Development Bank
NGO	Non-Governmental Organizations
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PRSC	Poverty Reduction Support Credit
SPA	Strategic Partnership with Africa
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization

I. INTRODUCTION

1. This progress report on the implementation of the Poverty Reduction Strategy Papers (PRSP) program has been prepared for the April 2001 meetings of the Development Committee and the International Monetary and Financial Committee. Previous reports for the Committees were prepared in April and September 2000.¹ This report covers developments from October, 2000 to end-March, 2001. Part II provides a status report on key aspects of the program. Part III reports on new initiatives designed to help align Bank and Fund support with country-led poverty reduction strategies. Part IV concludes the report.

II. STATUS REPORT ON PROGRESS

2. The sections that follow report briefly on the current status of Interim Poverty Reduction Strategy Papers (I-PRSPs) and full PRSPs, and on highlights of Bank and Fund efforts to facilitate the PRSP process. Recent outreach efforts and cooperation with key development partners are also outlined.

A. Current Status of I-PRSPs and PRSPs

3. Between October 2000 and end-March 2001, the Executive Boards of the Bank and Fund considered 19 I-PRSPs² and two full PRSPs.³ While the majority of I-PRSPs and both full PRSPs were prepared by African countries, the geographical spread has expanded over the past six months to include 4 countries in Europe and Central Asia, two countries in Latin America and the Caribbean, and one each in East Asia and the Middle East (Table 1). Previously, between January and September 2000, the Boards had considered 13 I-PRSPs—10 prepared by countries in Africa, two by countries in Latin America and the Caribbean, and one by a country in Europe and Central Asia⁴—together with two full PRSPs,⁵ bringing the totals as of end-March 2001 to 32 I-PRSPs and four full PRSPs.

¹ DC/2000-10 and DC/2000-18; IMFC/Doc/1/00/7 and IMFC/DOC/2/00/1.

² Cambodia, Cameroon, Central African Republic, Ethiopia, The Gambia, Georgia, Guinea, Guinea-Bissau, Guyana, Lesotho, Macedonia FYR, Madagascar, Malawi, Moldova, Nicaragua, Niger, Rwanda, Tajikistan, and Yemen.

³ Mauritania and Tanzania.

⁴ Albania, Benin, Bolivia, Chad, Ghana, Honduras, Kenya, Malawi, Mozambique, Sao Tome & Principe, Senegal, Tanzania, and Zambia.

⁵ Burkina Faso and Uganda.

**Table 1: PRSPs/I-PRSPs Discussed by Bank and Fund Boards
between October 1, 2000 and end-March 2001**

Region/ Country	I-PRSP/ PRSP	Bank Board Date for I-PRSP/PRSP	Fund Board Date for I-PRSP/PRSP
<i>Africa</i>			
Cameroon*	I-PRSP	Oct 10, 00	Dec 21, 00
Tanzania	PRSP	Nov 30, 00	Dec 1, 00
Guinea-Bissau*	I-PRSP	Dec 14, 00	Dec 15, 00
Gambia*	I-PRSP	Dec 14, 00	Dec 11, 00
Madagascar*	I-PRSP	Dec 19, 00	Dec 21, 00
Niger*	I-PRSP	Dec 20, 00	Dec 13, 00
Malawi*	I-PRSP	Dec 21, 00	Dec 21, 00
Rwanda*	I-PRSP	Dec 22, 00	Dec 20, 00
Guinea*	I-PRSP	Dec 22, 00	Dec 20, 00
C.A.R.	I-PRSP	Jan 18, 01	Jan 9, 01
Mauritania	PRSP	Feb 6, 01	Jan 26, 01
Lesotho	I-PRSP	March 6, 01	March 9, 01
Ethiopia	I-PRSP	March 20, 01	March 19, 01
<i>Europe and Central Asia</i>			
Tajikistan	I-PRSP	Oct 31, 00	Nov 3, 00
Macedonia, FYR	I-PRSP	Dec 14, 00	Dec 15, 00
Moldova	I-PRSP	Dec 19, 00	Dec 15, 00
Georgia	I-PRSP	Jan 11, 01	Jan 12, 01
<i>Latin America and Caribbean</i>			
Guyana*	I-PRSP	Nov 16, 00	Nov 13, 00
Nicaragua*	I-PRSP	Dec 21, 00	Dec 18, 00
<i>East Asia and the Pacific</i>			
Cambodia	I-PRSP	Jan 18, 01	Jan 5, 01
<i>Middle East and North Africa</i>			
Yemen	I-PRSP	Feb 27, 01	Feb 28, 01

* Accompanied by HIPC Decision Point document.

4. The PRSP approach is still in its early stages of development. Calendar year 2000 was dominated by the preparation of I-PRSPs, many of which were provided to the Boards of the Bank and the Fund in connection with reaching decision points under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Preparing strong PRSPs, anchored by broad-based support, that link public actions to priority poverty reduction outcomes will be critical as the process evolves. During 2001 about 20 countries may prepare their first full PRSPs (see Table at Annex 1). Many of these countries are HIPCs which reached their decision points in 2000 and seek to move towards their completion points under the Initiative.

5. The expected completion of additional full PRSPs during the next six months will also provide a better database for comparative analysis of the strategies embodied in full PRSPs than is possible in the present report, owing to the small number of PRSPs prepared to date. This analysis will be undertaken in the fall of 2001, and will also take into account findings from evaluations by other donors and civil society groups of full PRSPs as they are completed. The analysis should provide an input to the review of the PRSP approach by the Executive Boards by the end of the calendar year envisaged in the

December 1999 paper, *Poverty Reduction Strategy Papers: Operational Issues* (R99-241 and SM/99/290, para. 39).

6. More generally, the PRSP approach has always been envisaged as one that will evolve progressively over time and with experience. Countries' first full PRSPs, while essential building blocks for the approach as a whole, represent only the initial step in the process. Thus, while the quality of PRSPs is central to the success of the program, expectations for first PRSPs need to take account of individual country circumstances, along with the fact that PRSPs are "living documents". All concerned—countries, civil society, and their external supporters (including the Bank and Fund)—are learning by doing in the PRSP context, and strategies will evolve in the light of experience. The numbers (and even the initial quality) of strategies prepared are only a preliminary indicator of success; the program will stand or fall on the basis of persistent poverty reduction efforts at the country level and their measurable outcomes in the lives of poor people. These are likely to emerge only over a period of years.

I-PRSPs

7. The quality of I-PRSPs has continued to vary widely, reflecting in part whether countries have been able to build on previous home-grown poverty reduction programs. Most countries have developed their I-PRSPs on the basis of some degree of consultation with stakeholders. Several have built on existing participatory processes (e.g., Central African Republic, Guinea, Guinea-Bissau, and Niger). With regard to content, topics such as HIV/AIDS, governance (ranging from budgetary accountability and transparency to civil service or judicial reform), gender, and the special needs of disadvantaged groups have been recognized in some I-PRSPs. While several countries have set targets related to the International Development Goals (IDGs) for 2015 (e.g., Guyana, Macedonia, Madagascar, Nicaragua, and Rwanda), in many other cases, the IDGs have not played a role as a frame of reference for selecting intermediate targets and poverty outcomes. Only one I-PRSP (Cambodia) has taken explicit account of the framework for addressing poverty outlined in the 2000/01 World Development Report.⁶

8. Joint Staff Assessments (JSAs) prepared for the Executive Boards of the Bank and the Fund have noted a number of areas where substantial additional work has been recommended in the period leading up to full PRSPs.⁷ These include: developing current and comprehensive information on poverty; improving public expenditure management systems (see part III, paras. 36-40) and costing poverty reduction measures within a medium-term budgetary framework; integrating poverty reduction and macroeconomic objectives into a consistent framework; developing monitorable poverty outcome

⁶ *World Development Report 2000/01: "Attacking Poverty,"* World Bank, 2000.

⁷ JSAs are prepared by the staffs of both the World Bank and IMF and are submitted with a member country's I-PRSP or full PRSP to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction strategies, and considers whether the PRSP or I-PRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the HIPC Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

indicators; and institutionalizing broad-based participatory processes that support country ownership of the poverty strategy and its implementation.

9. The Executive Boards of the Bank and Fund have noted additional areas in I-PRSPs that will need to be addressed more fully in full PRSPs. One such area is improving prospects for economic growth, diversification and opportunity, by strengthening the enabling environment for trade, investment, and the private sector, and by integrating into the economic mainstream rural populations which account for the majority of the poor. The Executive Boards have also raised questions about the realism of countries' growth scenarios, and have stressed the critical importance of maintaining macroeconomic stability and of linking macroeconomic and structural aspects of country strategies. They have also highlighted the need for effective public expenditure management systems, and—in the case of post-conflict countries—the need to address security and stability issues in full PRSPs.

10. Other issues identified by the Executive Boards for greater attention have included gender, governance, environmental sustainability, HIV/AIDS, and the preparation of appropriate monitoring indicators against which to measure progress. In the case of gender, I-PRSPs have focused mainly on girls' education and women's access to health services. As countries develop full PRSPs, it will be important to ensure that the treatment of gender issues is broadened to include gender disaggregated poverty diagnosis, income generation opportunities for women, and gender focus in the selection and design of public actions, and outcome indicators.

11. Finally, the Boards have consistently stressed that the quality of PRSPs should not be sacrificed to speed of preparation (as also noted in the September progress report). In several cases, they have explicitly suggested that country-owned timelines for completion of full PRSPs are ambitious, especially in light of the need to secure broad-based participation and ownership in the process of strategy development and implementation (e.g., Guinea-Bissau, Madagascar, Moldova, and Nicaragua). It will be important that participatory processes extend widely to include poor men and women, and make practical use of their outcomes in strategy design, while at the same time not undermining the sovereignty of democratic institutions.

Full PRSPs

12. Full PRSPs are prepared by the member country with support from the staffs of the World Bank and the IMF, as well as civil society and other development partners. They describe the country's plan for macroeconomic, structural, and social policies for three-year rolling programs to foster growth and reduce poverty. They also describe the associated external financing needs and major sources of financing. As noted above, two full PRSPs have been reviewed by the Boards of the IMF and the World Bank since the last progress report.

13. **Tanzania's** poverty reduction strategy is anchored within a macroeconomic framework designed to raise the GDP growth rate while maintaining macroeconomic

stability. It focuses on reducing income poverty and on enhancing human capabilities, survival, and well being. Reduction of income poverty is to be achieved through rural/agricultural development and export growth. The government also places special emphasis on improving primary education, access to health services and water (especially in rural areas), and governance (including anti-corruption and better access to the judicial system). At the same time, the PRSP candidly acknowledges gaps in poverty analysis, in some strategy components, and in the comprehensiveness of participatory processes. The PRSP spells out plans to rectify these gaps in the coming months.

14. While acknowledging the positive aspects of the strategy, the JSA of the PRSP and comments from the Executive Boards identified a number of areas where additional work will be needed, including: statistical information on poverty; program costing, monitoring and evaluation; added attention to specific areas such as gender, environment, and the impact of HIV/AIDS; and, critically, fleshing out Tanzania's agricultural development strategy. Work already undertaken by the government and civil society on the integration of gender issues into the budget planning process should provide an opportunity for ensuring that gender is fully integrated into Tanzania's poverty reduction strategy.

15. **Mauritania's** anti-poverty strategy preceded the PRSP approach. It has included the introduction and expansion of participatory processes with civil society, as well as consultations with development partners. Building on these processes, the PRSP recognizes the multidimensional nature of poverty, and offers an integrated vision for poverty reduction based on four inter-related elements—accelerating economic growth with macroeconomic stability; stimulating pro-poor economic growth (i.e., rural development, support for small and medium enterprises); developing human resources by improving education and health services and access to basic infrastructure; and strengthening institutional capacity and governance (including civil service and judicial reform, decentralization, enhancing partnerships with civil society, and developing effective and transparent public expenditure management and impact monitoring systems). The PRSP sets ambitious targets for halving income poverty by 2010, and reducing it to about one-third of its estimated current level by 2015. The Boards of the World Bank and IMF strongly endorsed the strategy, while noting that it is subject to certain risks, including possible shortfalls in economic growth targets, in budgetary revenues and external financing, and in the efficient and timely delivery of services to the poor.

16. Both Executive Board discussions and Joint Staff Assessments (JSAs) of PRSPs have been frank in noting gaps in countries' analyses of the complex mix of policies and priority actions needed to secure both broad-based economic growth and specific poverty reduction outcomes. Not surprisingly, those countries able to build on prior experience with poverty reduction programs have been able to elaborate initial strategies more successfully than those lacking such experience. But even in the more successful cases, basic problems, such as capacity constraints and lack of adequate data, have made it hard for countries to prepare fully worked out strategies. For example, the full PRSPs for Mauritania and Tanzania had to rely on poverty data that were 5-10 years old. To some extent, existing Bank and Fund work—such as core Bank economic and sector work

(ESW)—can help provide countries with the material they need in preparing their strategies, but additional technical assistance and support for capacity building, including from development partners, is likely to become increasingly needed, especially as countries make the transition to full PRSPs.

17. One important area for additional attention is that of trade. The Bank and Fund, together with other multilateral agencies, have recently refocused and intensified their efforts to assist countries through the mechanism of the Integrated Framework for the Least Developed Countries (IF). The IF is designed to help countries preparing their PRSPs to analyze options for trade integration, determine the pay-off for trade-related reforms, and design reform packages that both promote growth and protect the poor against adverse transitional effects of trade opening. A trust fund for IF activities has recently been established with support from bilateral donors. Among these activities is a pilot program that will undertake trade integration studies and identify technical assistance requirements to help overcome obstacles to integration. The first phase of the program, focusing on three pilot countries, is expected to be completed by November 2001.

B. Facilitating the PRSP Process: Bank and Fund Support

18. The Bank and Fund have taken a number of steps during the past six months to facilitate the PRSP process, particularly with regard to the transition to full PRSPs, and to fully mainstream the PRSP approach into their development assistance programs in these countries. These have involved developing guidelines for JSAs of full PRSPs, expanding learning programs for both country officials and Bank/Fund staff, and improving information resources available to countries and their development partners, through the PRSP sourcebook and the Bank and Fund external websites.

Guidelines for JSAs of Full PRSPs

19. The September 2000 Progress Report included guidelines for the preparation of I-PRSPs and their associated JSAs. In response to countries' requests for greater clarity regarding the basis upon which Bank and IMF staffs will assess PRSPs, the staffs have prepared guidelines for JSAs of full PRSPs (Annex 2). The guidelines, which build on guidance provided in the December 1999 policy paper, "*Poverty Reduction Strategy Papers: Operational Issues*,"⁸ are intended to assist countries and development partners, as well as Bank and Fund staff, by outlining the key areas that the staffs will focus on when assessing PRSPs. These areas include: (a) building country ownership through participation; (b) poverty diagnosis; (c) targets, indicators, and monitoring; and (d) priority public actions. JSAs provide an important opportunity for advising countries of issues that the Executive Boards will expect to see more fully developed as the PRSP process evolves. One such issue is gender, on which the Boards have consistently requested fuller treatment.

⁸ R99-241 and SM/99/290.

20. The guidelines reflect the main principles of the Comprehensive Development Framework (CDF) on which the PRSP process is based—country ownership, including broad participation of stakeholders; a comprehensive, holistic approach formulated within a long-term perspective; a partnership orientation, which brings together both domestic stakeholders and external partners; and a focus on outcomes and results.⁹ The guidelines also embody the three-part approach to poverty reduction, based on creating economic opportunity, empowering the poor, and addressing vulnerability, set out in the World Development Report 2000/2001. The Bank and Fund expect to receive feedback on the current version of the guidelines from countries and development partners, and will revise the guidelines periodically in light of that feedback and evolving experience.

Learning Events

21. Bank/Fund PRSP learning events have continued to broaden in scope over the past six months. A regional learning event was held in Moscow in November 2000, with participants from six countries in Europe and Central Asia. In addition, an in-country PRSP workshop was held in Mongolia. A global learning event, focusing on building effective consultative processes in PRSP countries, will be held in Washington, DC in April 2001. A similarly focused regional event will also be held in April in Cartagena, Colombia, with participants drawn from the four PRSP countries in the Latin America and Caribbean region (and from other interested countries). The Bank has also introduced a program entitled “Attacking Poverty” which consists of face-to-face and distance learning courses and workshops delivered in English and French and undertaken in collaboration with local academic and public policy centers in PRSP countries. These courses and workshops cover a wide range of topics of specific relevance for country poverty reduction strategies, and are targeted at country PRSP teams, policymakers, academics, technicians, and NGOs and other civil society representatives.

22. The Bank is also sponsoring broader “Development Debates” for PRSP and other interested countries designed *inter alia* to promote cross-country dialogue among PRSP country teams on poverty reduction strategies and policies; to provide inputs for country teams; and to help broaden participation in PRSP preparation and implementation. Two of these activities are already ongoing—one for countries in the Latin America and Caribbean region (including Bolivia and Nicaragua) and one for countries in East Asia (including Cambodia and Mongolia). Two more activities are planned later this year for Anglophone (Ethiopia, Kenya, Tanzania, and Zambia) and Francophone (Burkina Faso, Guinea, Mali, Mauritania, and Senegal) Africa.

23. Learning within the Bank and the Fund has been augmented by the introduction of “pre-mission clinics” for staff working with individual countries involved in PRSP preparation. Five clinics were held between October 2000 and mid-March 2001 and a further 10 clinics are expected to be held in calendar 2001. Other internal learning events have included thematic seminars for staff on major PRSP-related topics such as transparency and accountability, performance indicators for PRSP implementation,

⁹ The relationship between the CDF and the PRSP process was described in the September PRSP Progress Report, DC/2000-18 and IMFC/DOC/2/00/1, Annex I.

tracking poverty reducing spending, streamlining conditionality, and environmental management in PRSPs.

Information Resources: PRSP Sourcebook and Websites

24. The *PRSP Sourcebook* is a compendium of reference material, not a “how-to” guide to PRSP construction. It is designed to be of help to countries in preparing their own country-specific strategies, by bringing together information on international best practices and policies for poverty reduction. The Sourcebook is currently being revised, based on feedback from PRSP country users and partners. New chapters are being added on pro-poor growth; trade; indicators, targets and costing; and inequality and social welfare. The Sourcebook is available in hard copy and CD format, and on the Bank and Fund websites.¹⁰

25. The *Bank and Fund websites* also contain PRSP policy documents, information on training events, and a new PRSP newsletter. As part of their commitment to transparency and disclosure, and subject to no objection from governments, the Bank and the Fund will now post country I-PRSPs and PRSPs on their websites at the time that they are circulated to their Boards, rather than after Board discussion. In addition, the JSAs and a Chairman’s Summing Up of Board discussions of I-PRSPs and PRSPs will now be posted on the websites following Board discussion.

C. Development Partners: Outreach and Cooperation

26. A key feature of the PRSP approach has been its emphasis on partnerships with other agencies and organizations seeking to support countries’ poverty reduction efforts. To stimulate and deepen these partnerships, the Bank and Fund have continued to participate with development partners in PRSP outreach events. (A list of these events is at Annex 3.) Development partners are also working with countries and the Bank and Fund to support the PRSP process at the country level. As countries move from strategy preparation to implementation of priority actions on the ground, the role of the PRSP as a mechanism for coordinating donor assistance should increase. There are already encouraging signs that this development is occurring (see in particular para. 29 below).

27. *Strengthening collaboration with the UN system.* Bank and Fund staff have continued to work collaboratively with UN system colleagues engaged in supporting countries’ poverty reduction efforts. The staffs have agreed with the UN Development Group that the UN’s Common Country Assessment (CCA), the Bank’s economic and sector work (ESW), and the Fund’s analytical and technical assistance work ought to be regarded as inputs into the government’s analytical base for PRSPs, and that the UN Development Assistance Framework (UNDAF) and the Bank’s Country Assistance Strategy (CAS) ought to be business plans for supporting PRSPs. The Bank and the UN are discussing how UN Resident Coordinators might be involved in the local management of a proposed new multi-donor trust fund to support poverty reduction strategies, and are working together to ensure coherence between the PRSP approach and

¹⁰ <http://www.worldbank.org/prsp>, and <http://www.imf.org/external/np/prsp/prsp.asp>

the third conference for the Least Developed Countries, to be held in May 2001. Fund and Bank headquarters and resident mission staff are continuing to enhance their contacts with UN Resident Coordinators in the field with a view to better coordinating their support to the CCA/UNDAF process and the PRSP approach.

28. At the agency level, the Bank and United Nations Development Programme (UNDP) have continued their regular consultations on strengthening collaboration in PRSP countries where governments have invited both to be involved. In October 2000, Bank and UNDP staff met to discuss improving coordination on poverty assessment work in Central America, and in January 2001 teams discussed collaboration in a range of PRSP countries. In addition, Bank and Fund staff have participated in UNDP PRSP learning events for regional staff in Cambodia and Tanzania. The Bank and International Labour Organization (ILO) met in October 2000 and March 2001 to consider country experience and collaborative arrangements. The Bank and United Nations Educational, Scientific, and Cultural Organization (UNESCO) held discussions in January 2001 on the latter's intention to provide more support to countries in the PRSP process, including in the areas of informal schooling, education indicators, and participatory processes.

29. ***New arrangements with the European Union (EU)***. The EU has taken important steps to support PRSP development and implementation. The European Commission (EC) has decided that the EU's five-year country assistance programs in the Africa, Caribbean, and Pacific (ACP) region will be based on a country's PRSP. In January 2001, it was agreed that the Bank, the Fund, and the EC would work together to support development of PRSPs by ACP countries. It was also agreed that the EC would move towards selectively co-financing support to PRSPs along with International Development Association (IDA) Poverty Reduction Support Credits (PRSCs) designed to support country poverty reduction strategies (see Part III, paras. 50-52). The EC is also proposing to provide approximately Euro 2 million to a Trust Fund supporting countries' efforts to improve public expenditure management assessments and systems (see Part III, para. 39). Bank, Fund, and EC staff have agreed to a regular exchange of PRSP-related documentation and for routinely sharing mission plans and contacts in the field. The staffs also agreed to form a working group that would focus on the pressing need for developing further outcome indicators, especially with regard to the social sectors.

30. ***Collaboration with other donors***. Bank and Fund staff continued to participate in discussions with representatives of other multilateral and bilateral agencies on PRSP-related issues. In the context of the December 2000 Plenary of the ***Strategic Partnership with Africa (SPA)***, donors were supportive of how the PRSP approach was evolving, including moving towards results-based rather than strictly policy-based conditionality for donor assistance. The SPA is considering how it can support Bank and Fund work to help countries to strengthen their public sector financial management. A proposal to pilot harmonized donor procedures and conditions in this area is also under consideration.

31. Officials from the ***Utstein Group of donors***¹¹ visited Washington to meet with the Bank and Fund in January 2001. Utstein officials welcomed progress with the PRSP

¹¹ Germany, the Netherlands, Norway, and the United Kingdom.

approach, while also noting that the quality of PRSPs should not be sacrificed to speed of preparation. Other issues discussed included the need to handle governance issues sensitively in light of individual country conditions; to ensure that the PRSP process reinforced the representative and electoral processes in the country; and to involve bilateral donors in the process as early as possible. The Bank and Fund emphasized the importance of bilateral donor involvement for the overall success of the PRSP approach. Future meetings will be held regularly on an annual basis, with informal dialogue between such meetings.

32. As already noted (para. 20), the PRSP approach is based on the principles of the CDF. The *CDF Focal Points Groups* of bilateral and multilateral agencies have extended their scope to become CDF/PRSP Focal Points Groups. Members are now looking at experience with the application of CDF principles in the PRSP context, covering the more than 30 I-PRSPs/PRSPs considered by the Executive Boards by end-February 2001. This initiative will provide valuable additional information for assessing experience and issues faced by countries and their development partners with respect to implementing the PRSP process on the ground.¹²

33. The President of the Bank and the Managing Director of the Fund met on February 9, 2001 with the Presidents of four *multilateral development banks (MDBs)*—the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB). The MDB Presidents reaffirmed their support for the PRSP approach and the MDB/IMF protocol.¹³ They noted areas of joint interest and activity, including collaboration between the AfDB, the IMF, and the World Bank on a financial sector assessment in Senegal, collaboration between the AsDB and the World Bank on poverty studies in Vietnam and support for Vietnam’s I-PRSP, and IDB work with the World Bank on public expenditure reviews and sector studies. The MDB Presidents envisage a further increase in analytical collaboration among MDBs in support of PRSPs.

34. *Continuing the dialogue with Non-Governmental Organizations (NGOs)*. NGOs have provided important feedback on the PRSP framework and on individual country experience with it. For example, Eurodad disseminates regular bulletins from its network of partners on countries’ progress, and Oxfam is emphasizing the importance of more systematic social impact assessment as part of the PRSP process (see Part III, paras. 41-45). NGOs are now actively engaged in supporting in-country strategy development, and some are focusing on program content. Many NGOs have been supportive of the PRSP concept, while expressing reservations about aspects of program implementation.¹⁴ This

¹² There are two Focal Points Groups. One consists of 19 bilateral donor countries and six multilateral institutions (the African, Asian and Inter-American Development Banks, and the European Bank for Reconstruction and Development, plus the European Commission and OECD/DAC). The other consists of 21 United Nations bodies.

¹³ See Joint Statement on “Multilateral Development Banks: A Partnership for Development, Growth and Poverty Reduction,” OM2001-0020, February 12, 2001, and September 2000 Progress Report (DC/2000-18 and IMFC/DOC/2/00/1), Annex V.

¹⁴ For a description of NGO views on the PRSP process, see September 2000 PRSP Progress Report, DC/2000-18 and IMFC/DOC/2/00/1, section II.C, and Annex IV.

position was underscored at a Technical Briefing by the organizations represented by the NGO Working Group on the World Bank at the Bank’s Executive Board in December 2000. The briefing covered “rapid assessments” that had been conducted in five I-PRSP countries (Cambodia, Chad, Ethiopia, Kenya, and Nicaragua). It articulated concerns arising from these assessments, including the perceived lack of country ownership and Bank-Fund dominance of the process; the need to de-link the PRSP from the HIPC Initiative; and the potential for undermining government sovereignty.¹⁵ The Working Group is now preparing a publication, dissemination and advocacy initiative with respect to the “rapid assessment” experience. It is also discussing with the Bank a wider monitoring program that would cover 15 PRSP countries.

III. ALIGNING BANK AND FUND ASSISTANCE WITH COUNTRY STRATEGIES

35. As the PRSP process evolves and countries begin to implement their Poverty Reduction Strategies, it will be important to ensure that public actions to reduce poverty are effectively linked to desired poverty outcomes. Section A below discusses two aspects of this issue on which the Bank and Fund are currently working—(i) helping countries to strengthen public expenditure management systems in order to ensure that national budgetary resources and external assistance are appropriately deployed for poverty-reducing activities; and (ii) analysis of the social impact of public actions and programs on the poor and other vulnerable groups. It will also be important that the Bank and Fund themselves have in place financial instruments that efficiently serve the priority needs of countries’ poverty reduction strategies. Section B below discusses recent developments with respect to the Fund’s Poverty Reduction and Growth Facility (PRGF) and IDA PRSCs.

A. Linking Public Actions to Poverty Outcomes

Tracking expenditures

36. Effective and transparent tracking of poverty-reducing expenditures is central to the PRSP process. The Bank and the IMF have consistently emphasized the need to support improvements in national public expenditure management systems as a whole, so that countries can ensure that domestic resources, external assistance and HIPC budgetary savings are actually used for intended poverty-related purposes. Civil society and development partners have expressed similar concerns.

37. Bank and Fund staff recently carried out a preliminary assessment of the performance of public expenditure management systems in 25 HIPCs (and PRSP countries) to identify strengths and weaknesses of those systems. The assessment examined countries’ practices relative to benchmarks regarding the basic requirements for expenditure systems to track poverty-reducing public spending effectively. Based on this preliminary assessment, several countries in the sample can be expected to carry out satisfactory tracking and reporting within one or two years, but many others will need

¹⁵ A similar presentation had previously been made by the Working Group at a workshop at the Prague Annual Meetings.

substantial help with building domestic capacity for effective public expenditure management over the medium term.

38. Bank and Fund staff are presently carrying out more detailed assessments with the governments involved to help expand and target programs of assistance. Discussions have already taken place with Honduras, and are planned to begin shortly with Bolivia and other countries in Latin America and Africa. It is expected that these discussions with governments will be completed within the coming six months and action plans will be ready by the end of calendar 2001. Bank and Fund assistance in support of public expenditure management reforms has grown significantly over the past 3 years, and this work will continue to expand. The extent of the needs indicated by the preliminary findings suggest that a significantly scaled-up program of donor assistance is warranted. Generating additional support, including from other multilateral organizations and the donor community, within the context of the PRSP process, will be critical to ensure timely and reliable tracking of poverty-reducing public expenditure in PRSP countries, including the HIPC's.

39. Going forward, the key will be to support countries in developing systems for public expenditure, procurement, and financial management. Work in these areas is already part of the core assistance provided to countries by the Bank and the Fund, through extensive analytic and project-related work. A promising start in supplementing these efforts has been made with proposals for a Program on Public Expenditure Management and Accountability, with likely funding from the EU (through a Trust Fund), the Bank, and one or more bilateral donors. The program is expected to support diagnosis and participatory assessment of public expenditure management and accountability systems in selected PRSP countries, together with possible follow-up assistance in selected areas of public expenditure reform. The Program would build on existing knowledge, such as Bank economic and sector work, Fund fiscal transparency work, and EC audit work. A primary goal of the Program would be to enhance local ownership and broad-based capacity-building with respect to institutions, process, and capability.

40. Executive Directors have stressed that in addition to the need to address systemic issues in capacity building for public expenditure management, tracking of specific expenditure categories was also necessary in the short run. In the most recent paper on the topic circulated to the Boards,¹⁶ staff have suggested that "virtual" poverty funds that rely on existing data can help track poverty-reducing spending in the short run. These funds, when used in conjunction with the monitoring of broad changes in the composition of public spending, can provide a "bridging" mechanism to track poverty-reducing expenditure, but they cannot substitute for intensive efforts to put in place effective and comprehensive public expenditure management systems over the medium term.

¹⁶ See "Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC's)", (SM/01/16, Revision 1, 3/28/01 and IDA/SecM/2001-0052/1, 3/30/01).

Social impact analysis

41. Assessing the impact on the poor and other vulnerable groups of the policy measures implemented by governments in support of their poverty reduction and growth objectives is an essential component of a country's overall poverty reduction strategy. In principle, there are three phases of social impact analysis: *ex ante* analysis, which contributes to the choice and design of alternative policy options; analysis during implementation, which involves monitoring of actual impacts, and consideration of possible mitigating measures where actions have unanticipated consequences; and *ex post* analysis, which assesses the actual outcomes of policy in order to improve the effectiveness and sustainability of future policy interventions. Assessments would typically use qualitative and quantitative tools.

42. For PRSP countries, social impact analysis would in principle be undertaken during PRSP preparation. Countries' assessments would focus on macroeconomic, structural and social measures that are expected, *a priori*, to have substantial positive or negative impacts on the poor. Such measures would ideally be identified and evaluated in the context of broad-based participatory discussions with the country's stakeholders and development partners. Carrying out such social impact assessments is difficult, especially when trying to assess the impact of alternative macroeconomic measures on poverty outcomes, and limitations on country capacity impose practical constraints on how quickly and comprehensively social impact assessments can be undertaken. It will be important not to "set the bar too high" with respect to social impact assessment work, so as to encourage countries to own this activity as soon as possible.

43. While maintaining the principle of country ownership, many governments will likely need to draw upon available assistance from the Bank, the Fund and other multilateral and bilateral agencies with expertise in carrying out such assessments. The UK Department for International Development has stated its readiness, working closely with other development partners, to support pilot social impact assessments in several countries.

44. For the Bank, the potential dimensions of support for social impact assessment work include analytical assistance to countries in assessing the social impact of policies; supporting the development of national capacity for social analysis (including monitoring and evaluation systems); and evaluating the social impact of investments and programs supported by Bank lending, particularly in the context of IDA Poverty Reduction Support Credits (PRSCs). In the PRSP context, it is expected that staff would build on existing experience to refine methodologies and tools for social impact analysis.¹⁷ To the extent feasible, analysis would pursue an economy-wide approach that would take into consideration the cross-sectoral feedback effects of policy actions. The Fund will also contribute to this exercise in its area of expertise (i.e., macroeconomic policy) as well as draw on and integrate into its policy advice the social impact analyses of others regarding

¹⁷ Past Bank social assessments have focused, for example on the social impact of industrial restructuring, of operations involving resettlement, and of projects in the education and transportation sectors—in countries as diverse as Bangladesh, Brazil, Ukraine, and Zimbabwe.

key policy measures supported by PRGF programs where it can be reasonably anticipated *ex-ante* that they may have an impact on the poor or vulnerable.

45. While it is expected that the Bank will take the technical lead in social impact analysis because of its relatively greater experience, the two institutions intend to coordinate their activities very closely. The Bank-Fund Joint Implementation Committee (JIC) has established a Working Group of staff from both institutions on social impact analysis in PRSP countries. The working group is currently developing a work program to take stock of existing social impact analysis in a sample of PRSP countries and to launch a number of “pilot” social impact analysis programs during the remainder of the calendar year.

B. Refining Financial Instruments

46. Since the 2000 Annual Meetings the Bank and Fund have been working to bring their lending operations in low-income countries further into line with the principles of the PRSP approach. For the Fund, progress has been made in streamlining and focusing conditionality under the PRGF. The Bank has moved forward with operationalizing the Poverty Reduction Support Credit (PRSC). And the staffs have begun to flesh out how the two lending instruments will be aligned in support of country-led poverty reduction strategies.

Streamlining PRGF Conditionality

47. There has been broad agreement that Fund and Bank conditionality under the PRSP approach should be selective, focusing on a few key measures that are central to the success of the country’s strategy. Since the Poverty Reduction and Growth Facility (PRGF) was created as the Fund’s facility to support poverty reduction strategies, a stated objective has been to refocus and reduce the scope of conditionality, by comparison with the Enhanced Structural Adjustment Facility (ESAF). More recently, the Fund Board reviewed conditionality in Fund supported programs and agreed to streamline and focus it so as to leave the maximum scope for countries to make their own policy choices, while ensuring that the Fund’s financing is provided only if those policies that are essential to the purposes of the Fund continue to be implemented. Directors supported an approach under which structural reforms that are critical to the achievement of macroeconomic objectives would generally be covered by Fund conditionality but a more focused and selective approach would be applied to structural measures which were relevant, but not critical, to these objectives.

48. For the PRGF, the effort to streamline and focus conditionality will also draw upon the PRSP based framework for the division of responsibility with the Bank. Under this framework, the PRGF would not normally extend conditionality into areas of structural and social policy outside the Fund’s domain of expertise and responsibility, except when they are critical to the country’s fiscal and/or external targets (for instance, when reform of a major public enterprise is vital to macroeconomic stability). Where possible, conditionality on these aspects of policy would be covered instead under IDA lending operations, especially PRSCs as these are phased in over time (see below). Moreover,

within the structural areas in which the Fund has competence and expertise (i.e., tax and foreign exchange regimes, fiscal management, budget execution, fiscal transparency, financial sector reform, and tax and customs administration) there is also to be a more selective application of conditionality, focusing on those measures that are sufficiently important to the macroeconomic objectives of the Fund-supported program.

49. Given that most countries are still at the I-PRSP stage and only a few have completed full PRSPs, the new modalities for conditionality are still evolving. However, some summary statistics on new 3-year PRGF arrangements (Table 2) formulated since the new approach came into effect show a greater focus of conditions on areas core to the Fund's mandate, and a marked shift away from conditions in areas where the Bank is in the lead. The phasing in of the Bank's PRSCs should permit further progress in focusing PRGF conditionality while ensuring that all measures important to the success of a country's poverty reduction strategy are effectively monitored.

Poverty Reduction Support Credits

50. At its September 2000 meeting, the Development Committee discussed the paper, *Supporting Country Development: World Bank Role and Instruments in Low- and Middle-Income Countries*.¹⁸ The paper noted that, effective July 1, 2002, PRSPs would underpin almost all IDA Country Assistance Strategies (CASs) discussed by the Bank's Board. The paper also outlined proposed key features of the PRSC, an IDA lending instrument within the CAS designed to support countries' poverty reduction strategies and their associated social and structural reforms. Draft guidelines for PRSCs have been prepared and presented for discussion by the Bank's Executive Board.¹⁹

51. As currently envisioned by Bank management, PRSCs will be governed by the Bank's guidelines on programmatic adjustment lending,²⁰ but will have specific features tailored to supporting country PRSPs. PRSCs will be designed as a series of annual credits within a medium-term framework that principally draws from and elaborates on the government's PRSP or I-PRSP. Individual PRSCs will be committed one operation at a time, phased annually in line with the borrowing government's annual budget and policy cycle. Each PRSC in the series will be based on up-front priority public actions that demonstrate satisfactory progress in social and structural reforms in support of poverty reduction and towards defined poverty-related outcomes.

52. The first proposed PRSC, for Uganda, is expected to be presented to the Bank's Executive Board in April 2001. A second PRSC, for Vietnam, may follow in May 2001. There are a number of additional countries which have been identified as possible candidates for PRSCs in calendar 2001. Over time, PRSCs are expected to become an

¹⁸ DC/2000-19, September 8, 2000.

¹⁹ Draft PRSC guidelines were first discussed by the Bank's Board at a technical briefing on February 23, 2001. A Discussion Draft on PRSCs, dated April 10, 2001, has been circulated for an informal Board meeting on April 20.

²⁰ See *Guidelines for Programmatic Adjustment Loans/Credits*, February 11, 2000.

increasingly important element of the Bank's overall support for well-performing low-income countries' poverty reduction strategies.

Aligning the PRGF and PRSC

53. The creation of the PRSC should provide the Bank with an instrument for PRSP countries that is sufficiently flexible and broadly based to allow suitable coverage of the structural and social policy areas on which the Bank is lead institution. Given the important complementarities between the macroeconomic and the social and structural issues, to the extent PRSCs are adopted, the Bank can provide support through a PRSC when the Fund provides support through a PRGF arrangement. In this way, the Fund's PRGF and IDA's PRSC would together support the implementation of the strategy laid out in the country's PRSP. In making their own lending decisions, the Bank and Fund currently draw upon the judgement of the other institution in its respective areas of primary responsibility. The Bank would normally regard the presence of an on-track PRGF arrangement as adequate evidence that the macroeconomic framework is appropriate and the Fund would normally regard the presence of an on-track PRSC as adequate evidence that the social and structural program is appropriate. However, to ensure institutional accountability and to avoid cross-conditionality, the final lending and disbursement decisions will continue to be made independently by each institution's Board. Bank and Fund staff will continue to work on improved mechanisms for planning and coordinating their operations, including the scope of policies that each institution will be responsible for monitoring in specific country cases.

54. Depending on the extent to which PRSCs are used by the Bank, there will be a number of countries in which PRGFs are in place or under preparation without parallel PRSCs. For these countries, most of whom are receiving IDA support under on-going comprehensive adjustment credits, Bank-Fund coordination will be guided by the same overall principles as set out above.

Table 2: Structural Conditionality in PRGF Arrangements 1/

	Average Number of Structural Conditions 2/	
	Most Recent Annual Program Under Previous Arrangement	First Annual Program Under New Arrangement
Prior Actions		
Core	2.7	2.3
Governance 3/	0.2	0.7
Other 4/	2.4	1.7
Non Core 5/	2.3	1.0
Total	5.0	3.3
Performance Criteria		
Core	1.6	1.3
Governance 3/	0.2	0.4
Other 4/	1.3	0.9
Non Core 5/	1.8	0.3
Total	3.3	1.7
Structural Benchmarks		
Core	2.8	5.3
Governance 3/	0.2	1.1
Other 4/	2.6	4.2
Non Core 5/	4.0	1.2
Total	6.8	6.6
All Structural Conditionality		
Core	7.0	9.0
Governance 3/	0.7	2.2
Other 4/	6.3	6.8
Non Core 5/	8.1	2.6
Total	15.1	11.6

Source: IMF staff.

1/ PRGF-eligible countries with new 3-year PRGF arrangements commencing on July 2, 2000. Includes Guinea Bissau, Macedonia, Niger, Moldova, Georgia, Cameroon, Malawi, Benin, and Kenya.

2/ Total number of structural conditions divided by nine countries.

3/ Includes measures to strengthen the judiciary system and reduce corruption, procurement reforms, and reforms to increase the control of the Ministry of Finance over financial matters.

4/ Includes budget reforms (tax and expenditures), and financial sector reforms.

5/ Includes reforms of the civil service, trade regime and capital accounts, public enterprises, labor market and land reforms, and measures to improve economic statistics.

IV. CONCLUSION

55. As noted at the beginning of this report, the PRSP process is still in its early stages of development. It is continuing to evolve as countries and their development partners (including the Bank and the Fund) learn from early experience. Experience to date has been encouraging, with respect to the seriousness with which countries have approached the process, the deepening of participatory processes in some countries, and the willingness in principle of development partners to support the PRSP approach. The coming months are likely to be marked by a substantial deepening of the program. Three trends in particular are likely to intensify. First, a significant number of countries are expected to make the transition from I-PRSPs to full PRSPs. The Bank and Fund stand ready to support countries' effort to lead this process. Second, development partners' involvement in the program, which is of critical importance for its success, is expected to continue to strengthen. Third, some countries are likely to move from preparation of strategies to initial implementation of priority poverty reduction actions on the ground. The work outlined in Parts II and III is expected to sharpen the focus of Bank and Fund support for this process. All of these trends present challenges as well as opportunities. Meeting the challenges and realizing the opportunities will be critical for the success of the program over the longer term in meeting its fundamental objective of delivering substantial and sustainable benefits to poor people in PRSP countries.

Annex I

**Possible Country Timelines for Interim Poverty Reduction Strategy Papers, Poverty
Reduction Strategy Papers, Country Assistance Strategies, Poverty Reduction
Growth and Facility, and HIPC Decision and Completion Points in 2000-01**

(Possible Timing of Board Discussions as Estimated by Bank and Fund Staff in Consultation with the Country Authorities)

Country	Oct-Dec 2000	Jan - Mar 2001	Apr - Jun 2001	July-Sept 2001	Oct-Dec 2001
Angola	...	...	...	I,F	...
Albania	...	...	...	...	P,R
Armenia	...	...	I,F,S	R	...
Azerbaijan	...	...	I,F	...	R
Benin	...	S*,R	...	...	P,R,C
Bolivia	...	...	P,C,S*,R	...	R
Bosnia and Herzegovina	...	...	I	...	...
Burkina Faso	S	R	R	...	R,C
Cambodia	...	I, R	...	R	P
Cameroon	I,F,D	...	R	...	...
Central African Republic	...	I,R	R	...	F,P,D
Chad	...	...	D,R	...	...
Congo Republic of	...	...	...	...	I,F
Côte d'Ivoire	...	...	...	...	I,F,D
Djibouti	S	...	I	R	R
Ethiopia	S*	I,F	R	D	R
Gambia, The	I,R,D	...	...	R	R,F,P
Georgia	I	F	R,S	...	P
Ghana	...	...	R	...	P,R
Guinea	I, R, D	...	F,S*	...	P,R
Guinea-Bissau	I, F, D	...	R	...	P,R
Guyana	I, R, D	...	R	...	P,C,S
Haiti	...	...	...	...	I, F
Honduras	...	...	R	P	...
Kenya	...	...	R,P	R,S	...
Kyrgyz Republic	...	...	I,F	R,S	...
Lao, PDR	...	...	I,F	...	R
Lesotho	...	I,F	...	...	...
Macedonia, FYR	I,F	...	...	...	P,S
Madagascar	R,I,F,D	...	...	...	...
Malawi	I,F,D,S*	...	R	...	...
Mali	...	...	R	P	R
Mauritania	...	P,R	R	...	R
Moldova	I, F	...	R	...	R,P,S
Mongolia	...	...	I,F	...	R,S
Mozambique	R	...	C,P	...	...
Nepal	...	...	I,F	S	R
Nicaragua	I, R, D	...	R	P	...
Niger	I,F,D	...	...	R,S	...
Pakistan	...	...	S*	I,F	R,S
Rwanda	I, R, D	...	S	R	R,F
Sao Tomé and Príncipe	R,D,S	...	R	...	...
Senegal	...	R	...	R	...
Sierra Leone	S*	...	I	F	R
Sri Lanka	...	...	I	S	F
Tajikistan	I,R	R	R	R	P,R,S
Tanzania	P	R	...	R	C
Togo	...	...	...	...	I,F
Uganda	S	R	...	...	F
Vietnam	...	...	I	...	R
Yemen, Republic of	...	I,R	R	R	P,F
Zambia	D	...	...	...	P

I -- Interim PRSP

P -- PRSP

D -- HIPC decision point, enhanced Initiative

C -- HIPC completion point, enhanced or original Initiative

S -- Country Assistance Strategy

S*--Country Assistance Strategy Update

F -- New PRGF 3-year arrangement

R -- Review of PRGF arrangement,
or new annual arrangement

1/ These estimates are in some cases highly tentative and are all subject to change. PRSPs and Interim PRSPs are prepared by the countries and will necessarily reflect the countries' own circumstances and decisions. Furthermore, the timing estimates assume that the countries' Fund- and Bank-supported programs remain on track, and that understandings are reached on new programs without major interruptions. Experience indicates, however, that some and perhaps many of these dates will surely slip, and the timing of new programs is particularly subject to delay.

Annex 2

Guidelines for Joint Staff Assessment of a Poverty Reduction Strategy Paper

1. When a Poverty Reduction Strategy Paper (PRSP) is presented by a government to the Executive Boards of the World Bank and the International Monetary Fund, it is accompanied by an assessment of that strategy by Bank and Fund staff—the Joint Staff Assessment (JSA). This note provides guidance to Bank and Fund staff on preparing JSAs of full PRSPs.¹ These guidelines will be revised periodically in light of experience and feedback from countries and development partners.

Purpose of the JSA

2. The JSA must make an overall assessment for the Executive Boards as to whether or not the strategy presented in the PRSP constitutes a sound basis for concessional assistance from the Fund and the Bank.² A positive assessment does not necessarily indicate that the staff agree with all of the analysis, targets, or public actions set forth in the PRSP or consider that the PRSP represents the best possible strategy for the country. Rather it indicates that the staff consider that the strategy provides a credible framework within which the Bank and the Fund are prepared to design their programs of concessional assistance. The amounts of assistance and detailed design of the programs in support of a country's poverty reduction strategy are determined through the Bank's Country Assistance Strategy (CAS) and arrangements under the IMF's Poverty Reduction and Growth Facility (PRGF). The JSA contributes to these determinations through its assessment of the strengths and weaknesses of the strategy and its various elements. In addition, the JSA provides constructive feedback to the country about how it might improve its strategy over time.
3. The JSA guidelines reflect the main principles underlying the PRSP approach. The PRSP is prepared by the government through a *country-driven* process, including broad participation that promotes *country ownership* of the strategy and its implementation as well as *partnerships* among the government, domestic stakeholders and development partners. *Comprehensive diagnosis*, a *long-term perspective*, and *results-orientation* are important. The JSA guidelines also reflect the expectation that, although the specific content of PRSPs will vary widely among countries, a PRSP will include four core elements: (a) a description of the country's participatory process; (b) poverty diagnosis; (c) targets, indicators, and monitoring

¹ Separate guidelines for the JSAs of Interim PRSPs are available on the Bank and Fund websites. See http://www1.worldbank.org/prsp/IPRSP_Guidance_Note_Sept_7.pdf and <http://www.imf.org/external/np/prsp/2000/prsp.htm#AnnexVI>

² If so, the concluding paragraph of the JSA should include the statement that: “The staffs of the World Bank and the IMF consider that this PRSP provides a sound basis for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.” For countries participating in the Enhanced HIPC Initiative, the concluding paragraph should also state that the PRSP provides a sound basis for debt relief.

systems; and (d) priority public actions.³ Full PRSPs are expected to summarize the priority public actions over a three year horizon by inclusion of: (a) a table(s) presenting the country's macroeconomic framework; (b) a table(s) summarizing the overall public expenditure program and its allocation among key areas⁴; and (c) a matrix of key policy actions and institutional reforms and target dates for their implementation.

4. The JSA—within 10 pages—should, to the extent possible, succinctly answer key questions about each the four core elements of a PRSP. In their assessment, staff should give greatest weight to the clarity and the realism of the priority public actions and to the arrangements for monitoring and evaluation which could lead to improvements in the strategy over time. Staff should take into consideration the country's starting point. The JSA should provide clear and candid assessments and avoid description and repetition of the PRSP itself. It should give particular attention to issues raised in JSAs for the Interim PRSP. In a concluding section it should summarize areas where the PRSP is especially strong or weak as well as risks to the successful implementation of the PRSP.
5. In preparing a JSA, lead responsibility among Bank and Fund staff should be divided in line with primary institutional competencies,⁵ taking into consideration that there are areas of overlapping competence and important linkages among areas. The staffs need to reach a common overall assessment. The PRSP/HIPC Joint Implementation Committee provides a vehicle for resolving differences in views that cannot be resolved at the working level.

Key Questions

6. The key questions are presented below. In selecting these questions, a balance has been attempted between, on the one hand, responding to the requests from countries and development partners for greater clarity about the basis on which the staffs will assess PRSPs and, on the other hand, the desire to avoid excessive prescription of or unrealistic expectations about the content of PRSPs. Given institutional capacity constraints, the quality of data, diagnosis, and analysis in PRSPs will vary widely among countries, and it is not expected that all PRSPs will address thoroughly all of the issues raised in the questions below. Moreover, in preparing the JSA, staff need to consider each of the questions below but should focus in the JSA on those that are

³ See Appendix 1, "Possible Elements of a PRSP," *Poverty Reduction Strategy Papers: Operational Issues*, Joint IMF/World Bank Paper, December 10, 1999, which is available on the Bank and Fund websites.

⁴ Data on the public expenditure program should be as comprehensive as possible and should not be limited to activities financed by budgetary savings from HIPC debt relief and/or by projected increases in external assistance. However, allocations of specific uses of HIPC debt relief should also be presented.

⁵ The Fund's core areas are macroeconomic policies (monetary, fiscal, and exchange policies) and directly related structural reforms. The Bank's core areas are design of poverty reduction strategies (including poverty diagnostics, sectoral strategies, effectiveness of public expenditures, and social safety nets) and structural, social and governance reforms. Overlapping areas are the environment for private sector growth, trade, financial sector, tax and customs policy administration, and issues related to public expenditure management, budget execution and monitoring, and fiscal transparency.

most relevant in the country context. Given limitations in available data and analyses and the inherent complexities of many issues, the JSA will need to make tentative judgments in some areas. The bullet points associated with some of the key questions are only reminders of potentially important issues for consideration, not a checklist of issues that must be covered in every case. There may be other issues not included in the bullet point that are important in a particular country and that should be covered.⁶

A. Building Country Ownership through Participation⁷

A.1 Does the PRSP describe the participatory process that the government conducted to design and to build ownership for the strategy?

- Participatory processes within government (among central ministries, parliament, and sub-national governments).
- Other stakeholder involvement (for example, civil society groups, women's groups, ethnic minorities, policy research institutes and academics, private sector, trade unions, representatives from different regions of the country).
- Bilateral and multilateral external development partners' involvement, including collaborative analytical work to support PRSP development.
- Mechanisms used to consult the poor and their representatives.

A.2 Does the PRSP summarize major issues raised during the participatory process and the impacts of the process on the content of the strategy? How has the participatory process evolved over time?

- Extent to which the participatory process has been well integrated with existing processes of the government for policy and decision making.
- Comparison with earlier practices and with the plans in the I-PRSP.

A.3 How closely is the PRSP related to any other current government documents that set forth national or sectoral development plans and/or budgets?

A.4 What are the plans for public dissemination of the PRSP?

B. Poverty Diagnosis

B.1 How adequate are existing poverty data?

- Extent of disaggregation of poverty data by regions and by demographic groups, including by gender.
- Degree to which quantitative data were complemented by qualitative information.
- Accessibility of data for policy analysis, especially outside government.

⁶ For a much more thorough presentation of topics and issues that may be considered within PRSPs and JSAs, see the PRS Sourcebook, which is available on the Bank and Fund websites. The Sourcebook is a compendium of reference material, not a "how-to" guide for PRSPs, that brings together information on international best practice and policies. See <http://www.worldbank.org/poverty/strategies/sourctoc.htm>.

⁷ The Executive Boards have instructed the staffs to describe, but not to evaluate, the participatory process. It is recognized that the participatory process is designed and managed by the government and that staff knowledge of the process and its impacts will often be incomplete.

B.2 How well have the nature and determinants of poverty outcomes (income and non-monetary dimensions) been identified? Have trends in key poverty determinants and outcomes been presented?

- Extent of income/consumption and other dimensions of poverty (health, including environmental diseases and HIV/AIDS, education, natural resource degradation, vulnerability, disempowerment) and their evolution over time.
- Analysis of gender dimensions of poverty.
- Distribution of assets of various types—natural (especially land), physical, financial, and human.
- Identification of economic, social and institutional (including corruption and poor governance) constraints to poverty reduction.

B.3 To what extent have the growth and distributional impacts of past policies and programs been assessed?⁸

- Macroeconomic policies, including the ability to respond to exogenous shocks.
- Structural and sectoral policies, including the distributional impacts of past reforms and policies affecting private sector development, trade, the operation of product and factor markets, and environmental management.
- Equity, effectiveness and efficiency of existing pattern of public expenditures, service delivery, and systems for budget management, financial management, and procurement.
- Other key constraints on implementation capacity.
- Policies with regard to gender inclusion and social inclusion.

C. Targets, Indicators, and Monitoring

C.1 Does the PRSP define medium- and long-term goals for poverty reduction outcomes (monetary and non-monetary), establish indicators of progress, and set annual and medium-term targets? Are these indicators and targets appropriate given the assessment of poverty and the institutional capacity to monitor? And are they consistent with the policy choices in the strategy?

- Selectivity in the choice of monitorable indicators and targets, in line with priority public actions and capacity.
- Inclusion of indicators related to the International Development Goals, recognizing that the appropriate indicators, as well as specific targets, will vary among countries.
- Indicators and targets which appropriately capture disparities by social group, gender, and region.

C.2 Are current and proposed monitoring and evaluation systems adequate and sustainable?

- Adequacy of efforts to improve data collection and analysis.
- Transparency of arrangements for, and results of, monitoring the PRSP, including service delivery to the poor.

⁸ Monitoring and evaluation systems are usually weak, and rigorous quantitative assessments are seldom possible. Nevertheless, judgments about the efficacy and impacts of past policies, even if qualitative, are crucially important for improving strategies over time.

- Use of participatory methods for monitoring.
- Adequate use of results of monitoring and evaluation in policy formulation.

D. Priority Public Actions

D.1 Does the PRSP present **clear priorities for public action**? Are these priority actions appropriate and feasible in light of the diagnosis, the targets, their estimated costs, available resources, institutional capacities, and the effectiveness of past policies? In making this overall assessment, staff should also consider the following questions:

Macroeconomic Framework, Fiscal Choices, and Financing Plan

D.2 Does the **macroeconomic framework** promote: (i) a level of inflation that does not undermine private sector growth; (ii) an external position that is sustainable in the medium- to long-run; (iii) growth that is consistent with the poverty reduction objectives laid out in the PRSP; and (iv) an overall fiscal stance that is compatible with the PRSP's poverty reduction and growth objectives?

- Growth projections that are realistic and take into account likely sources of growth, including external trade.
- Possible tradeoffs between the pursuit of short-term versus long-term poverty reduction and other macroeconomic goals.
- Robustness of the macroeconomic program in light of the risks of exogenous shocks.

D.3 Are **fiscal choices** consistent with the poverty reduction and growth objectives of the PRSP? Is the allocation of expenditures consistent with the strategic priorities, institutional capacities and efficiency, and realistic cost estimates? Have domestic revenue measures been designed in light of likely distributional impacts? Is fiscal management capacity adequate to effectively implement the proposed expenditure program?

- Quality of cost estimates for key programs.
- Comprehensiveness of budget data, i.e., extent to which all programs (including externally financed projects) are included in an integrated budgetary framework.
- Status of a Medium Term Expenditure Framework to improve the capacity to undertake pro-poor budget allocations over time.
- Disaggregation of expenditure programs by sector and key programs for poverty reduction and by recurrent and investment expenditures.

D.4 Does the strategy have an adequate and credible **financing plan**—including domestic borrowing and projected aid (and other external) flows?

- Realism of external financing projections and implications for long-term debt sustainability.
- Extent to which external development partners have begun—or indicated their intention—to align and coordinate their own strategies with the PRSP.
- Contingency plans for expenditures in the event of a shortfall in revenues or financing.

Structural and Sectoral Policies, Policies for Social Inclusion and Equity, Governance and Public Sector Management

D.5 To what extent do the **structural and sectoral policies** address the key policy, incentive, and institutional constraints to poverty reduction? How well has the PRSP estimated the likely impact of its proposed policy measures on the poor and included measures to mitigate any negative impacts?

- Measures to expand opportunities for the poor and to distribute the benefits of growth and public services more equally by region, by economic and social groupings, and by gender.
- Prioritization and sequencing of reforms, considering expected impacts on the poor.
- Private sector and financial sector development, including sector, financial and labor market regulations, trade policies, and domestic pricing policies.
- Key social sector policies and programs, including those related to HIV/AIDS.
- Policies and institutions for environmental sustainability.
- Cross-sectoral linkages.

D.6 To what extent do **policies for social inclusion and equity** address the key policy, incentive, and institutional constraints to poverty reduction?

- Measures to promote fair and equitable treatment of poor men and women under the law and avenues of recourse, including with respect to property rights.
- Social protection and labor policies.

D.7 To what extent are improvements in **governance and public sector management** being pursued in areas that are important for poverty reduction? How adequate are proposed improvements in laws and in institutions at the central and local levels with regard to ensuring accountability for use of fiscal resources and better service delivery?

- Measures to address systemic problems in budget formulation and execution, financial management and procurement systems, and monitoring of public spending, as well as short-term measures to ensure accountability for the use of HIPC debt relief.
- Plans for improvements in governance arrangements and service delivery, including the role of local communities and local government.
- Steps to be taken to improve transparency and ensure accountability of public institutions and services vis-à-vis the needs and priorities of the poor.
- Efforts to address critical problems inhibiting civil service performance and any issues of corruption in the public service.

Annex 3**Bank-Fund Outreach Events, September 2000—March 2001**

Over the last six months, Bank and Fund staffs have participated jointly in a number of outreach events in connection with the PRSP program. The main ones are listed below.

- Joint Bank-Fund NGO Briefing, and Jim Wolfensohn and Horst Köhler appearance at Jubilee 2000 hand-over of petitions ceremony, Annual Meetings, Prague, September 2000.
- European Commission Workshop with the Bank and Fund staff on collaboration in the PRSP approach, Brussels, September 2000.
- Ministerial Conference on Debt Relief and Poverty Reduction, organized by Debt Relief International, London, October 2000.
- World Vision Consultations with the Bank and Fund on PRSPs, October 2000.
- UNDP and World Bank staff meetings on improving coordination on poverty assessment work, Washington, October 2000.
- ILO and World Bank staff meetings on country experience and collaborative arrangements, October 2000.
- PRSP Central Asia Regional Learning Event involving delegations from Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, and Tajikistan, Moscow, October-November 2000.
- EURODAD Annual Conference and General Assembly, Helsinki, November 2000.
- OECD/DAC Africa Ministerial Consultation on “The PRSP Process: What We Have Learned to Date,” Addis Ababa, November 2000.
- OECD/DAC Informal Workshop on “Poverty Reduction Strategies, the Comprehensive Development Framework, and National Strategies for Sustainable Development: Towards Convergence,” Paris, November 2000.
- NGO-World Bank Consultations, Washington, December 2000.
- Strategic Partnership with Africa, plenary meetings, Paris, December 2000.
- Parliamentarians For Global Action, 22nd Annual Forum, Debt For Development: Debt Relief Targeted to Poverty Eradication,” Rome, December 2000.

- Republic of Italy and United Nations: Fourth Meeting on Human Rights, hosted by the City of Florence and region of Tuscany, December 2000.
- Consultations between delegation of UNDP staff and World Bank, IMF, and IaDB staff on relationship between the CCA/UNDAF and the CDF and PRSP approach, Washington, January 2001.
- Canadian International Development Agency (CIDA) Workshop with Bank and Fund on CDF/PRSP, Ottawa, January 2001.
- Follow up meetings between European Commission, World Bank, and IMF staff to operationalize collaboration in the PRSP approach, Washington, D.C., January 2001.
- Consultations between senior delegation from the Utstein group of countries (U.K., Norway, Germany, and the Netherlands) on the PRSP approach, Washington, D.C., January 2001.
- Consultations between senior delegation from UNESCO and the World Bank on collaboration on the PRSP approach, January-February 2001.
- Meetings between the President of the World Bank and the Managing Director of the Fund with the Presidents of four multilateral development banks to discuss the PRSP approach and areas of collaboration, Washington, D.C., February 2001.
- Child Poverty Initiative Conference, hosted by the UK Government, London, February 2001.
- Consultation between delegation from World Labour Congress and World Bank and IMF staff on the PRSP approach and the HIPC Initiative, Washington, D.C., March 2001.
- Multilateral Development Bank meetings with World Bank and IMF staff on the HIPC Initiative, including consultations on the PRSP approach, Washington, D.C., March 2001.
- Poverty Reduction Strategies: What Have We Learned?, conference sponsored by the UNDP and the Norwegian Ministry of Foreign Affairs, Bergen, Norway, March 2001.
- ILO and World Bank staff consultations on county experience and collaboration arrangements, March 2001.
- Pre-LDC III Workshop on “LDCs: Building Capacity for Mainstreaming Gender in Development Strategies,” Cape Town, South Africa, March 2001.